GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

STARRED QUESTION NO:377
ANSWERED ON:18.12.2006
FORWARD TRADING IN AGRICULTURE PRODUCTS
Bishnoi Shri Jaswant Singh

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

the number and capacity of warehouses under the National Commodities and Derivatives Exchanges (NCDEs) in the country alongwith the quantum of each agricultural products stored therein during the last three years;

(b) the quantum of each of the said products produced and traded in futures market during the said period alongwith the prices thereof in future and open markets;

(c)whether the quantum of products traded in futures market is in conformity with its production and stocks;

(d) if not, the factors attributed thereto;

(e) whether the prices in futures market have also not been in conformity with the open market leading to unprecedented price movements in the futures market which resulted in suicidal steps by various traders;

(f) if so, the details thereof alongwith the findings of the investigations conducted in this regard, if any; and

(g) the follow-up action taken for proper regulation of futures market?

Answer

MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) to (g): A statement is laid on the table of the house.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (g) OF LOK SABHA STARRED QUESTION NO. 377 FOR 18/12/2006 REGARDING FORWARD TRADING IN AGRICULTURE PRODUCTS

(a) : The number and capacity of warehouses of the National Commodity and Derivatives Exchange (NCDEX) alongwith the details of agricultural products stored in these warehouses for the last three years is given at Annexure-I.

(b) : The production and volume of trading of the agricultural produce in which futures trading is being conducted at NCDEX during the last three years is given at Annexure-II. The details of the futures and spot prices at the NCDEX platform during the last three years is given at Annexure-III.

(c) : There are no established benchmarks to establish relationship between the volume of futures trading and its production and stocks.

(d) : Does not arise.

(e) ; . Futures markets provide for a mechanism for price discovery and price risk management. Futures prices are largely determined by the interplay of various factors such as expected price based on demand and supply scenario, cost of carrying the goods, perceptions of the market participants, international prices etc. In view of this, there is generally a difference between futures prices and prices in the physical market. No incident of trading member taking suicidal steps on this account has been reported to the Government.

(f) : Does not arise in view of the reply to (e) above.

(g) : The Forward Markets Commission (FMC) which is the Regulator for commodity futures market under the provisions of the Forward Contracts (Regulation) Act, 1952 has prescribed various regulatory measures such as limit on open position for members and clients, limit on price fluctuations, payment of margins etc. These measures along with the close monitoring by the Regulator on a continuous basis ensure that the commodity futures markets are regulated effectively.